

Internal Revenue Service
District Director

Department of the Treasury

Post Office Box 1680, GPO
Brooklyn, NY 11202

Date: OCT 24 1996

Person to Contact:

Contact Telephone Number:

Refer Reply to:

Employer Identification
Number:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(7) of the Internal Revenue Code.

The evidence presented disclosed that you were incorporated on

The purpose for which the corporation is organized is to own, maintain, and operate one or more aircraft not for profit, but for the exclusive use and enjoyment of the shareholders of this not for profit corporation. The corporation may also engage in any other lawful purpose associated therewith which is done so on a not for profit basis.

The information submitted with your application Form 1024 indicates that your primary activity consists of owning a single-engine aircraft for the use of its members who meet after work or on weekends to fly for a few hours at a time. No flyers, brochures or newsletters are published. All plans are typically handled verbally. To date your organization consists of three members. The use of the plane is not restricted for recreational and social activities amongst its members as a group.

Your income is primarily derived from assessments on members to cover maintenance cost.

Any person agreeing to be bound by the articles of agreement and by-laws is eligible for membership in the corporation. All members of the corporation are shareholders.

Section 501(c)(7) of the Code provides exemption to clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues, and assessments. However, a club otherwise entitled to exemption will not be disqualified because it raises revenue from members through the use of club facilities or in connection with club activities.

Revenue Ruling 70-32, 1970-1 C.B. 132 States, in part, that a flying club providing facilities for its members but having no organized social and recreation programs does not qualify for exemption under section 501(c)(7) of the Code. The sole activity of the club involves the ownership, operation, and maintenance of the aircraft for use by the members. Membership is open to all who are interested in flying. There is little commingling among members for social or recreational purposes. It was held that this club did not qualify because the sole activity of the club is rendering flying services to its members and there was no significant commingling of its members.

Revenue Ruling 74-30, 1974-1 C.B. 137 States, in part, that a flying club which provides flying privileges solely for its members, assesses dues based on the club's operating costs and expenses and whose members constantly commingle qualifies under section 501(c)(7) of the Code. Members are constantly in personal contact with each other. Further, many are in contact to assist in training, maintaining the aircraft and to conduct administrative functions. Club planes are used only for recreational purposes. Membership is limited to those individuals who are interested in flying as a hobby.

Revenue Ruling 58-589, 1958-2 C.B. 266 states, in part, that an organization will qualify for exemption under section 501(c)(7) if they can establish (1) that it is a club both organized and operated exclusively for pleasure and recreational purposes and (2) that no part of its net earnings inures to the benefit of any private shareholder or individual. To meet the first requirement, there must be an established membership of individuals, personal contacts and fellowship. A commingling of the members must play a material part in the life of the organization.

Like the organization described in Revenue Ruling 70-32, your organization does not have any organized social and recreational activities regularly carried on for its members. There is no significant commingling of your members for these purposes. Your organization's membership is not limited to those individuals who are interested in flying as a hobby. Also you provide flying services to your members.

Unlike the organization described in Revenue Ruling 74-30 your membership is not restricted to those individuals who are interested in flying as a hobby, there is no significant commingling amongst members and your planes are not restricted for recreational & social activities amongst members.

Your organization did not meet the criteria outlined in Revenue Ruling 58-589 since the commingling of your members does not play a material part in the life of your organization. Also, your net earnings inures to the benefit of private shareholders or individuals.

Accordingly, we have determined that you are not operated within the purview of section 501(c)(7) of the Code.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(7) of the Code and propose to deny your request for exemption under that section.

We have also determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

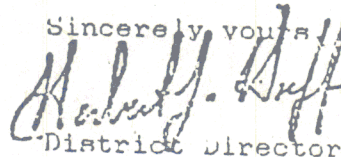
You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,


District Director

Enclosure: Publication 892